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BANKING AND FINANCE INTERVIEW MAGAZINE

How nano credit is empowering the unbanked

🕒 September 21, 2020



Venio is driving financial inclusion and creating positive social impact in emerging markets with its nano credit facilities



A recent joint study conducted by Backbase and International Data Corporation found that fintechs will be largely responsible for bridging the financial gap in the Philippines. Interestingly, more Filipinos are expected to show interest in digital financial transactions by 2025, with 75 percent of the total payments expected to be carried out electronically and 80 percent of customers registering with new accounts in financial institutions besides their primary banks.

Warren Platt, Founder and CEO of Venio, in an exclusive interview with International Finance, talks about the company's efforts in boosting financial inclusion in the Philippines and expanding its market presence to other emerging markets.

What are the emerging markets that Venio is tapping into for expansion?

Venio's initial launch took place in the Philippines, but we have plans for wider regional expansion in high growth emerging markets in Asia and Latin America. Mexico is also an attractive location where we are establishing contacts as there are many features of the Mexican retail landscape that are similar to what can be found in the Philippines. This is essentially Mexico's network of small local 'changarro' stores which have a lot in common with the Philippines Sari-Sari convenience stores that Venio has leveraged as a key part of its redemption network.

This has helped our launch to become a success and made our mobile payments product accessible at a community level. Beyond Mexico, our strategy is to establish a presence in Colombia to deepen our relationships in Latin America followed by expanding our operational footprint in Malaysia and Thailand. These are ideal locations for nano credit loan facilities due to their underlying demographic trends and mobile penetration, in addition to the unmet market demand. Venio would be able to bring a lot of value and offer something special. We want to deliver social impact in places we operate.

How is Venio empowering the unbanked population in those emerging markets?

Financial inclusion is a key enabler in reducing poverty and boosting prosperity but a significant proportion of the world's adult population do not have access to basic financial services. Asia, Latin America and Africa comprise less than 15 percent of the population having a bank account. That said, the unbanked population in

can stop people from reaching their short and long-term goals. It can place them at a disadvantage while managing uncertain financial conditions. The Venio app is designed to encourage responsible lending and borrowing. In short, it will allow customers to build their own credit history by opening a gateway of financial services. In the first week of Venio's operations, the app saw 10,000 downloads and there is a lot of demand for a platform that can boost financial inclusion. We are seeing the initial repayments and secondary loan payments continue to be greater than expected, showing that when done responsibly nano credit can really work for people.

Can you elaborate on Venio's nano-credit facilities? What is its role toward the unbanked population in emerging markets amid the pandemic?

In the post-Covid era, financial inclusion must be ensured for the economic development of communities impacted by the pandemic. The cornerstone of our offering lies in boosting financial inclusion in communities. The pandemic has increased demand in small lines of credit for those excluded from the cashless world. We are seeking to extend the outreach of our services to people who have never really participated in traditional banking before and remain without access to bank accounts or credit cards. Our role is to provide the unbanked population with better financial services. The Venio app is a gateway to more advanced forms of financial support, especially for those building a credit profile for the first time.

How has the company enhanced its easy-to-access credit facilities in its key market the Philippines? What is the impact so far?

Our credit facilities in the form of nano loans are available through a grassroots redemption network of international and local retailers and thousands of 'mom and pop' Sari-Sari convenience stores in the Philippines. We have improved our partnership network and repayment centre outreach with new ongoing redemption partnerships. Because these individuals are yet to build a credit history, the loans are available to them without any upfront collateral provided on their part, ensuring easier access to credit. We have also iterated our offering to suit the lifestyle changes of our customers thriving under various forms of lockdown conditions. Airtime purchases are readily available and we have adjusted the product mix to meet their needs. The pandemic has accelerated digitisation and the Venio app is further assisting people to rely less on physical cash which has higher potential to spread the infection.

What makes the Venio app so unique in the market?

Venio offers users access to small loans starting at \$1 up to \$5. In the Philippines, for example, one dollar can cover the cost of one kilo of rice, basic medicine and transportation to and from work for a week. Nano credit is a unique offering as there are no other players offering facilities of that size. Moreover, the credit is redeemable across a range of categories from airtime to food to transportation. The fact that we are offering loans of these sizes has allowed us to expand our market presence. Venio has partnered with Visa to offer Venio credit cards. Merchants in our redemption network can add the payments they receive through the Venio app. We also plan to offer our Visa credit card offering to Venio borrowers in the future.

Can you elaborate on Venio's community grassroots approach to enhance financial accessibility?

We have a network of local and national retailers and service providers operating across retail, grocery, healthcare, transportation, leisure and entertainment. For instance, Sari-Sari convenience stores are a key part of our redemption network where you can make purchases and repayments. There is a Sari-Sari store on virtually every street in the Philippines, so they are a big part of the community. Moreover, the fact that they are frequented by locals encourages responsible borrowing as arrears are discouraged on a grassroots level.

What are the challenges the company is facing with the protracted pandemic?

The global crisis is first and foremost a public health issue in the immediate aftermath of the lockdown. The poorer communities in the country were the hardest hit by the pandemic due to job losses and reduced income. The pandemic drove the Philippines unemployment rate to a record high of 17.7 percent in April. With no available sources of income and virtually non-existent savings, the unbanked population remains at a risk. This happens to be a tough condition to operate in and to launch a product.

Where does Venio see itself in the next three years?

To deliver social impact and foray into new markets is an important strategy.





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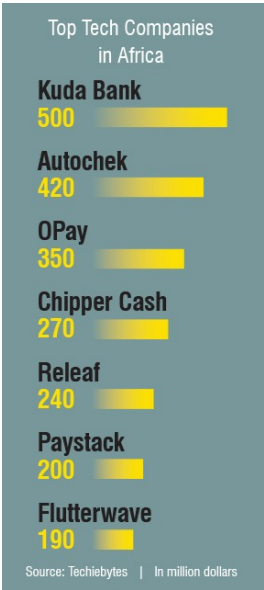
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